

Date: April 2, 2015

To: City Council

From: Steve Schewel

Subject: Poverty Reduction Initiative; Finance Task Force Update

Executive Summary

In response to the Mayor's Poverty Reduction Initiative (PRI) that focuses on Census Tract 10.01, a number of task forces were created to look at different aspects of reducing poverty, supporting services and building wealth in this low-wealth area of the City. Council representatives and others co-chair the task forces. This Agenda Item is an interim report from the Finance Task Force co-chair, Steve Schewel.

Background

The Finance Task Force has been meeting over the past year. Guided by the PRI's survey of residents and their needs, the task force has been looking at (1) the availability of basic banking services in Census Tract 10.01; (2) the levels of financial literacy of residents and ways to promote increased understanding of financial resources and services; (3) the distribution, types and costs of ATMs in Tract 10.01; (4) the potential of mobile banking services; (5) the need to advance students towards college as a path towards long-term wealth-building; (6) the challenges and benefits of promoting wise use of Earned Income Tax Credits; and (7) other finance-related programs including IDA's that might benefit residents.

Issues/Analysis

While there are many promising ideas and programs involving finance, the task force has settled on four strategies to pursue in the near term.

First is the expanded and intensified recruitment of people in Tract 10.01 who are eligible for the Earned Income Tax Credit. Under the leadership of Reinvestment Partners, volunteers will be recruiting people eligible for the credit to use a VITA tax-preparation site so that they can reap the full benefit of the tax credit. This will be an immediate financial benefit for people who can take advantage of the credit.

Second is the exploration of the location of a full-service ATM in Tract 10.01. There are already several ATMs in the tract, but transactions on these machines are expensive and they are only available to dispense cash. The PRI survey indicated that residents desire to have a full-service ATM nearby so that they can deposit cash and perform other banking functions. Under the leadership of Self-Help, we are

seeking to locate an ATM in the census tract. Barriers to this include the capital cost of installation and the ongoing weekly cost of operations, including daily pick-up of cash from the ATM. We are in search of a banking partner to establish this ATM, and there are active conversations underway.

Third is the initiation of a financial literacy program for families in the tract. The PRI survey indicated that about half the respondents desired financial literacy services to help them better manage their finances. Under the leadership of the Durham Regional Financial Center, and in partnership with the East Durham Children's Initiative and others, we are seeking United Way funding to set up a six-month financial literacy program for 75 families in Tract 10.01. The program would operate in three cohorts of 25 families each over the next 18 months. Our ability to undertake this program is dependent on funding for instructors and materials.

Fourth is the establishment of a program of matched Childhood Savings Accounts (CSA's) for every student at Y.E. Smith Elementary School, the Durham Public Schools' elementary school located in Tract 10.01. Under the leadership of the Corporation for Enterprise Development (CFED) and its 1:1 Fund, and in partnership with Y.E. Smith School, the East Durham Children's Initiative and others, we are seeking to replicate other matched childhood savings accounts now beginning to operate around the nation. Under this plan, each child entering Y.E. Smith in kindergarten would receive a \$100 deposit in his or her education savings account. Subsequently, through grade 5, the child's family's savings in this account would be matched up to \$100 per year. The money in this account would be available to the student upon high school graduation for the purposes of higher education. The funds to match the families' donations to these accounts would be privately raised through the 1:1 Fund and from other local donors. The major barriers to establishing the program at this point are (1) getting agreement from a bank or the City to become the legal custodian of the matched savings accounts, and (2) getting a financial institution to agree to hold and administer the accounts. The East Durham Children's Initiative has agreed to provide program coordination between parents, teachers, the school principal and the financial institution. We are in active conversations with financial institutions and the City to recruit a custodian of the accounts and a financial administrator.

In sum, we have excellent local private partners leading each of these initiatives. At the same time, there are still substantial barriers to implementing all of the initiatives above except for the expansion of the work on the Earned Income Tax Credit. Our task force is hard at work trying to overcome these barriers.

As we move forward, we will be looking for other ways in which the Finance Task Force can help reduce poverty in Tract 10.01.

Alternatives: Not applicable

Financial Impact

Not applicable with this request to receive a presentation.

SDBE Summary

Not applicable